

## **BUSINESS CORPORATION ACT (EXCERPT)**

### **Act 284 of 1972**

#### **CHAPTER 2A**

#### **PROFESSIONAL CORPORATIONS**

#### **450.1281 Incorporation as professional corporation.**

Sec. 281. (1) A corporation must incorporate as a professional corporation under this chapter if it is incorporated to provide 1 or more services in a learned profession, whether or not it is providing other professional services. A corporation may comply with this chapter and incorporate as a professional corporation if it is incorporated to provide 1 or more professional services, none of which are services in a learned profession, or may incorporate as a corporation that is not required to comply with this chapter.

(2) A corporation that is incorporated as a professional corporation and its shareholders are subject to this chapter and this act. If there is a conflict between an applicable provision of this chapter and another provision of this act, the provision of this chapter takes precedence.

(3) This chapter applies to a corporation incorporated under former 1962 PA 192, or to a corporation that on the effective date of this chapter was governed by former 1962 PA 192 as if incorporated under that act, as if that corporation were incorporated under this act and pursuant to this chapter.

(4) This chapter does not apply to a corporation organized in this state before the enactment of former 1962 PA 192 to provide professional services to the public, and that did not previously amend its articles of incorporation to bring itself within the provisions of former 1962 PA 192, unless that corporation amends its articles of incorporation in such a manner that it is consistent with all the provisions of this chapter and affirmatively states in its amended articles of incorporation that the shareholders have elected to bring the corporation within the provisions of this chapter and this act.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1282 Definitions.**

Sec. 282. As used in this chapter:

(a) "Licensed person" means an individual who is duly licensed or otherwise legally authorized to practice a professional service by a court, department, board, commission, or agency of this state or another jurisdiction. The term includes an entity if all of its owners are licensed persons.

(b) "Professional service" means a type of personal service to the public that requires that the provider obtain a license or other legal authorization as a condition precedent to providing that service. Professional service includes, but is not limited to, services provided by a certified or other public accountant, chiropractor, dentist, optometrist, veterinarian, osteopathic physician, physician, surgeon, podiatrist, chiropodist, physician's assistant, architect, professional engineer, land surveyor, or attorney-at-law.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1283 Professional corporation; formation; name.**

Sec. 283. (1) Except as provided in this section, 1 or more licensed persons may form a professional corporation under this chapter.

(2) Each shareholder of a professional corporation must be a licensed person in 1 or more of the professional services provided by the professional corporation.

(3) Except as provided in this section or otherwise prohibited, the articles of incorporation of a professional corporation shall state that the professional corporation is formed to provide 1 or more professional services and shall state the specific professional service or services the professional corporation is formed to provide.

(4) The name of a professional corporation shall contain the words "professional corporation" or the abbreviation "P.C." with or without periods or other punctuation.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1284 Professional corporation subject to MCL 333.16101 to 333.18838.**

Sec. 284. (1) Except as otherwise provided in subsection (2) or (3), if a professional corporation provides a professional service that is subject to article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, each shareholder of the professional corporation must be licensed or legally authorized in this state to provide the same professional service.

(2) One or more individuals who are licensed to engage in the practice of medicine under part 170, the practice of osteopathic medicine and surgery under part 175, or the practice of podiatric medicine and surgery under part 180 of article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, may organize a professional corporation under this act with 1 or more other individuals who are licensed to engage

in the practice of medicine under part 170, the practice of osteopathic medicine and surgery under part 175, or the practice of podiatric medicine and surgery under part 180 of article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838.

(3) Subject to section 17048 of the public health code, 1978 PA 368, MCL 333.17048, 1 or more individuals who are licensed to engage in the practice of medicine under part 170, the practice of osteopathic medicine and surgery under part 175, or the practice of podiatric medicine and surgery under part 180 of article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838, may organize a professional corporation under this act with 1 or more physician's assistants licensed under article 15 of the public health code, 1978 PA 368, MCL 333.16101 to 333.18838. Beginning July 19, 2010, 1 or more physician's assistants may not organize a professional corporation under this act that will have only physician's assistants as shareholders.

(4) A licensed person of another jurisdiction may become an officer, agent, or employee of a professional corporation but shall not provide any professional service in this state until the person is licensed or otherwise legally authorized to provide the professional service in this state.

(5) A professional corporation that is organized under this act may engage in the practice of public accounting, as defined in section 720 of the occupational code, 1980 PA 299, MCL 339.720, in this state if more than 50% of the equity and voting rights of the professional corporation are held directly or beneficially by individuals who are licensed or otherwise authorized to engage in the practice of public accounting under article 7 of the occupational code, 1980 PA 299, MCL 339.720 to 339.736.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013;—Am. 2013, Act 132, Imd. Eff. Oct. 15, 2013.

#### **450.1285 Professional services; licensure of officers, employee, and agents; other laws; liability.**

Sec. 285. (1) A professional corporation shall not provide professional services in this state except through its officers, employees, and agents who are duly licensed or otherwise legally authorized to provide the professional services in this state. The term "employee" does not include a secretary, bookkeeper, technician, or other assistant who is not usually and ordinarily considered by custom and practice to be providing a professional service to the public for which a license or other legal authorization is required.

(2) Nothing contained in this chapter shall be interpreted to abolish, repeal, modify, restrict, or limit the law now in effect in this state applicable to the professional relationship and liabilities between a person furnishing a professional service and the person that receives the professional service and to the standards for professional conduct. Any officer, agent, or employee of a professional corporation shall remain personally and fully liable and accountable for any negligent or wrongful acts or misconduct committed by him or her, or by any individual under his or her direct supervision and control, while providing professional service on behalf of the professional corporation to the person to which the professional services were provided.

(3) A professional corporation is liable up to the full value of its property for any negligent or wrongful acts or misconduct committed by any of its officers, agents, or employees while they are engaged on behalf of the professional corporation in providing professional services.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1286 Officer, shareholder, agent, or employee; legal disqualification; restriction or limitation of authority to provide services; failure to comply with section.**

Sec. 286. If an officer, shareholder, agent, or employee of a professional corporation becomes legally disqualified to provide the professional services provided by the corporation, or accepts employment that under existing law restricts or limits his or her authority to continue providing those professional services, he or she shall sever within a reasonable period all employment with and financial interests in the professional corporation. A professional corporation's failure to require compliance with this section is grounds for the forfeiture of its articles of incorporation and its dissolution. If a professional corporation's failure to comply with this section is brought to the attention of the administrator, he or she shall notify the attorney general of the failure and the attorney general may take appropriate action to dissolve the professional corporation.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1287 Professional services; limitation.**

Sec. 287. (1) A professional corporation shall not engage in any business other than providing the professional service or services for which it was specifically incorporated.

(2) This chapter does not prohibit a professional corporation from doing any of the following:

(a) Investing its money in real estate, mortgages, stocks, bonds, or any other type of investments.

(b) Owning real or personal property necessary to provide a professional service or services.

(c) Becoming a partner in a partnership formed under the uniform partnership act, 1917 PA 72, MCL 449.1 to 449.48, if the partnership provides the same professional services as the professional corporation.

(d) Becoming a member or manager of a professional limited liability company organized under or subject to chapter 9 of the Michigan limited liability company act, 1993 PA 23, MCL 450.4901 to 450.4910, if the professional limited liability company provides 1 or more of the same professional services as the professional corporation.

(e) Becoming a shareholder in a professional corporation governed by this chapter, if both professional corporations provide 1 or more of the same professional services.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1288 Issuance of capital stock; sale or transfer of shares; voting trust or other agreement; redemption or purchase of shares.**

Sec. 288. (1) A professional corporation shall not issue any of its capital stock to anyone other than an individual who is duly licensed or otherwise legally authorized to provide the same specific professional services as those for which the professional corporation was incorporated. The uniform securities act, 1964 PA 265, MCL 451.501 to 451.818, or the uniform securities act (2002), 2008 PA 551, MCL 451.2101 to 451.2703, does not apply to the issuance or transfer by a professional corporation of its capital stock.

(2) Shares of a professional corporation shall not be sold or transferred except to a person who is eligible to be a shareholder of the professional corporation; to the personal representative or estate of a deceased or legally incompetent shareholder; or to a trust or split interest trust in which the trustee and the current income beneficiary are each eligible to be a shareholder of the professional corporation. The personal representative or estate of the shareholder may continue to own shares for a reasonable period but is not authorized to participate in any decisions concerning the providing of professional service by the professional corporation.

(3) Except as permitted under subsection (2), a shareholder of a professional corporation shall not enter into a voting trust agreement or any other type agreement that vests another person with the authority to exercise the voting power of any or all of his or her stock, unless that other person is duly licensed or otherwise legally authorized to provide the same specific professional services as those for which the professional corporation was incorporated.

(4) The articles of incorporation, bylaws, or a contract may provide specifically for additional restrictions on the transfer of shares and may provide for the redemption or purchase of the shares by the professional corporation or its shareholders at prices and in a manner specifically set forth in the articles, bylaws, or contract.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.

#### **450.1289 Professional entity as surviving entity of merger or conversion.**

Sec. 289. (1) A professional corporation that is the surviving entity of a merger or conversion shall only have as shareholders licensed persons that are permitted to be shareholders under this chapter.

(2) A professional corporation organized to provide services in a learned profession may merge with, or convert into, only other corporations or entities whose shareholders, members, partners, and managers, following the merger or conversion as applicable, are licensed persons permitted to be shareholders under this chapter.

**History:** Add. 2012, Act 569, Imd. Eff. Jan. 2, 2013.